

Press Release

D R Buildestate Private Limited

January 20, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.50	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	19.50	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	22.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 22.00 crore bank facilities of DR Buildestate Private Limited (DRBPL). The outlook is '**Stable**'.

About the Company

D R Buildestate Private Limited is a civil contractor involved in the construction of buildings, roads and highways for the government of Uttar Pradesh and Madhya Pradesh and also takes sub contracts from reputed clientele. DRBPL is promoted by Mr. Devendra Kumar and Mrs. Rajni Singh. The entity was established in 2004 and is based in Delhi NCR. The entity undertakes various civil construction projects for various government departments like UPAVP, MPUDCL, PWD etc.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of D R Buildestate Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Revenue Visibility

DRBPL is engaged in the civil construction sector for almost two decades. As of December 2021, DRBPL had an order book position of Rs. 141 Cr which includes big ticket contracts like construction of sections of State and National highways and these contracts are to be executed in 12-18 months showcasing healthy revenue visibility in the medium term.

Extensive industry experience of the promoters

Promoters of DRBPL has gathered more than a decade of experience in the civil construction business which has resulted in development of strong relationships with customers and suppliers of DRBPL. The experience and relations of the promoters is expected to drive the business forward and maintain the scale of operations in the medium term.

Healthy Financial Risk profile

DRBPL's financial risk profile is healthy marked by net worth of Rs. 22.46 Cr. as on 31 March, 2021 on account of ploughed back profits and healthy accretion to reserves. The debt profile of the company includes long term loan of Rs. 4.83 Cr. as on 31 March, 2021. The gearing of DRBPL stood at 0.21 times as on 31 March, 2021 compared to 0.35 times as on 31 March, 2020. The gearing is expected to remain low in future due to expectations of a healthy net worth as well as no capex plan in the medium term.

Improved Profitability position of the company

The profitability position of the company improved in FY 2021 as can be seen from EBITDA and PAT margin which improved and stood at 5.76% and 4.21% respectively Vis a Vis 3.50% & 4.18% in FY 2020. The improvement in profitability is driven by lower input costs incurred by the company.

Weaknesses

Competitive Business Environment

DRBPL is involved in civil construction work on tender basis where the entry barriers are not so high and there is presence of numerous players in the sector which presents major challenges to the ability of DRBPL to bid and win tenders on a sustainable basis. Intense competition can be detrimental for the entity and the business acumen of promoters and management would be key for DRBPL's sustained growth in the medium term.

Concentration of Supplier

There is risk in the supply chain of DRBPL with one supplier having share of almost 44% in the total purchases for FY 2021. Any shortcomings or policy change with this supplier could seriously hamper the operations of DRBPL and expose the entity to concentration risk. However the risk is mitigated by the long term business relationship of almost 6 years with the supplier.

Geographical Concentration and Government business risk

DRBPL is involved in civil construction works in Uttar Pradesh and Madhya Pradesh. With limited geographical presence the entity also depends upon funds from completed government projects. Any approval or payment related delays from government departments can seriously affect the cashflows of DRBPL and the risk of concentrated geographical presence would mean that the entity would not have other sources of revenue to sustain operations which could affect topline significantly.

Rating Sensitivities

- Ability of DRBPL to execute projects in hand on time.
- Movement of raw material prices.
- Timely payments by Government departments.
- Company's ability to grow in terms of revenue while improving or maintaining the profitability position
- The leverage of the company to remain below unity

Material covenants

None.

Liquidity Position: Strong

DRBPL has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accrual of Rs. 5.24 Cr against nil debt obligation in FY 2021. Further it is expected that the company will generate cash accruals in the range of Rs. 5-6 Cr in next two fiscals against CPLTD of Rs. 2.36 Cr giving sufficient liquidity buffer. Further the company has liquid investment of Rs. 20.64 Cr in the form of FD and cash and bank balance of Rs. 4.79 Cr as on 31 st March 2021. The current ratio of the company stands at a

comfortable level of 1.49 times as on March 31, 2021.

Outlook: Stable

Acuite believes that DRBPL will maintain a 'Stable' outlook over the medium term on the back of promoter's extensive experience and relationships with customers and suppliers, healthy financial risk profile and strong liquidity position. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or elongation in the working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	91.48	58.04
PAT	Rs. Cr.	3.85	2.43
PAT Margin	(%)	4.21	4.18
Total Debt/Tangible Net Worth	Times	0.21	0.35
PBDIT/Interest	Times	7.57	8.38

Status of non-cooperation with previous CRA (if applicable)

CRISIL vide its press release dated 21 April 2021, has mentioned the rating of DRBPL as '[CRISIL] B+/Stable/A4' Issuer Not Cooperating as on 21 April 2021.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A3+ Assigned
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3+ Assigned
HDFC Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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